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SENSITIVE

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SUBJECT: TURKMENISTAN: MICROFINANCE APPEARS INCREASINGLY POSSIBLE

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: On February 27, Turkmenistan's first-ever conference on microfinance was organized in Ashgabat by the UN Development Program (UNDP). Titled "Microfinance - A Tool to Enhance Private Sector Development in Turkmenistan: International Experience," the conference came in response to a request by Tuwakmamed Japarov, Turkmenistan's Deputy Prime Minister responsible for the economic sector. Workshop participants included representatives from the Ministry of Finance, Ministry of Economy and Development, Central Bank, local banks, entrepreneurs and international donor organizations. As follow up, UNDP sent a letter endorsed by participating donor agencies to Japarov asking that he designate a focal point for this issue and organize a working group of relevant stakeholder. Following President Berdimuhamedov's March 6 speech to the Council of Elders, in which he announced a desire "to improve the banking system in the villages and to establish the provision of micro-credits for purposes of the stimulation of the construction of the rural objects of different designation," it appears that the elusive goal of microcredit in Turkmenistan appears increasingly possible. END SUMMARY

DONORS INTRODUCED VARIOUS FORMS OF MICROCREDIT

13. (SBU) During a February 27 conference on microfinance, organized by UNDP, the Country Representative of the European Bank for Reconstruction and Development (EBRD) presented its programs implemented in Eastern Europe and NIS, including specific examples of how bank-based micro-credits can contribute to the growth of small businesses. Titled "Microfinance - A Tool to Enhance Private Sector Development in Turkmenistan: International Experience," the conference came in response to a request by Tuwakmamed Japarov, Turkmenistan's Deputy Prime Minister responsible for the economic sector. The Deputy Resident Representative of UNDP/Turkmenistan provided an overview of its recent program for rural women in Turkmenistan improved economic conditions for poor families through small grants. A visiting EU-TACIS microfinance specialist presented different types of community-based savings and credit unions, while an EU-TACIS agriculture specialist described his experience in developing a community-based credit union in North Cornwall in the United Kingdom.

14. (SBU) The Bishkek-based Chief of Party for USAID's Central Asian Micro-Finance Alliance (CAMFA II Project) provided an overview of the types and structure of micro-finance institutions in Central Asia. Through the presentation, it became clear that all Central Asian countries except Turkmenistan have significantly improved the

legal environment for microfinance, which has increased opportunities to promote economic activity in even the most disadvantaged groups of society. USAID/Turkmenistan's Economic Growth Program Management Specialist introduced the savings and credit union development program implemented in Uzbekistan with USAID's support by the U.S.-based NGO World Council for Credit Unions (WOCCU). The presentation highlighted the growing number of non-banking credit unions in Uzbekistan.

AFTER ACTION RESULTS IN LETTER TO DEPUTY PRIME MINISTER

15. (SBU) After the presentations, participants discussed in small groups possible paths forward to start microfinance activity in Turkmenistan. Key recommendations identified by the groups were to amend existing legislation to allow microfinance, to build the capacity of state agencies and banking sector in dealing with microfinance, as well as to launch pilot project with interested stakeholders.

16. (SBU) In the week after the conference, participating entities collected legislative examples, case studies and general microfinance information. A joint letter drafted by participating donors, along with the assembled materials and workshop recommendations, was sent by UNDP Resident Representative to Japarov. EBRD indicated that it is willing to provide technical assistance to improve the legal, regulatory and institutional framework for microfinance. The letter also asked that Japarov designate a focal point for microfinance issues and organize a working group of relevant stakeholder.

17. (SBU) COMMENT: Separate from the conference, USAID's Program Management Specialist learned from local NGO Union of Economists

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that Turkmenistan's parliament has included plans to draft a law on microfinance as part of its the five-year work plan and have requested assistance in drafting it. Following President Berdimuhamedov's March 6 speech to the Elders' Council, in which he announced a desire "to improve the banking system in the villages and to establish the provision of micro-credits for purposes of the stimulation of the construction of the rural objects of different designation," it appears that the elusive goal of microcredit in Turkmenistan appears increasingly attainable. END COMMENT.

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